

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 19, 2002

PRESENT: Commissioner Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Richard Farrenkopf, Assistant Director of Information Systems; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.

EXCUSED: Chairman John Byrne; Howard Roundy, Director of Information Technology.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 15, 2002 shows retail sales were up almost 9.4%, on-premise sales were up 16.4%, off-premise sales were up about 55.4%, and total aggregate sales were up 18.7%. The traffic count increased by 8,793, while the average sales ticket also increased by \$1.26.

A review of the W-1 Total Weekly Sales report confirms retail sales increased 18.7% or \$1,041,156 for the week, and were up 6.43% above last year, or \$4,777,291. For the week, wine sales were up 32.9% or \$757,700, as they were for the year by 11.75% or \$3,599,438. Sales of spirits increased for the week by 8.7% or \$283,456, and also increased year-to-date by 2.7% or \$1,182,489. Craig mentioned that even though the increases seem high, they are being compared with the week of and week after September 11th last year when there was less activity.

B. Budget Reports:

Concerning outstanding depletions and post-offs as of September 17, 2002, Craig pointed out that there was only one broker shown in arrears; however, this was due to late billing, and payment is expected by the end of the month.

Craig reported that Fiscal Committee approved the request to transfer store monies without any questions.

Work continues on the Enforcement e-licensing program, with another meeting set up for this afternoon. A schedule should be available in about a week as to what future plans are and how quickly they can be accomplished.

Howard contacted a representative regarding problems with the ergo lighting, and a number of changes were made via telephone. A company individual

plans on coming to New Hampshire in a week or so to help solve remaining problems.

Store e-mail has been temporarily shut down due to continuing problems which were causing interference with other functions. Although Unisys has been working on them for several days, they have still not been resolved. In the meantime, Peter is making contingency plans to handle store mail. Craig will keep the Commission posted on the situation.

There will be an announced fire drill tomorrow at 11:00 a.m. at headquarters. Craig has asked everyone to wait until they are notified that the drill has begun, at which time all personnel will move to a designated rally point. This exercise will give a sense of timing as to how long it takes to vacate the building. Lisa Lassonde will remain in the building to handle phone calls and security.

The latest W-6 Expense Budget Activity Variance Report shows that, as of September 17, expenditures should be at about 21.64%. Actual total expenses are at about 21%. Equipment balances to date are somewhat higher than they were last year. This will be resolved when the relocation monies are received.

The auditors will be coming in on September 24th for a couple of weeks. The second floor conference room has been reserved for them.

There was a credit card RFP meeting this morning. The field has been narrowed down to three contenders who will make cash presentations in October. Their pricing is competitive, and all three seem to be able to technically provide the service. The extension with Fleet Bank remains in effect until the end of February, which provides enough time to install any conversion needed.

Agency budgets are due to be over at the State House on September 29th. The Commission budget will be available shortly for the Commission to sign. Financials have already been sent over to Administrative Services.

A quote has finally been received from SSHGT relative to financial software, which will be sent over to DITM for approval.

2. IT Report

Rick Farrenkopf confirmed Craig's report that a representative from Unisys had come in to make a better diagnosis of the store e-mail problem. In addition, some information was received back from Microsoft. Testing is currently being done in one of the stores. Hopefully, IT will be able to get all of the stores back to speed sometime early tomorrow or next Monday.

Software testing is being done on weekly and monthly processes. The weekly process has been run through two cycles, and monthly testing will hopefully begin next Monday. It looks as if everything is on schedule as far as conversion to the new Mapper system is concerned. There have been a few problems with the new printer, which IT hopes to resolve within a few days. FDMS has been very helpful in supplying information regarding necessary routing changes. A few changes will have to be done to the scripts the stores need. The process is about 60% complete at this time, and should be ready within another day or two.

II. MARKETING & SALES REPORTS

1. Store Operations:

John Bunnell read a letter received from Governor Shaheen regarding correspondence she received from a customer thanking Mindy Bean and Kathy Hass of Marketing for their help in resolving a particular situation. Commissioner Russell mentioned that someone approached her with complimentary remarks about an employee working in the Keene store. Peter said plans are being made to publish compliments in the newsletter.

Total store sales increased over the same week last year by \$517,586.73 or 11.66%. (Peter again reminded everyone that last year was the week of September 11th.)

Store #21 Peterborough was originally scheduled to be closed for three days at which time the roof would be replaced. However, one more day was needed to complete the project, and the store should be open for business tomorrow morning. When all work is completed there will be additional storage space. The only loss which has occurred is a few bottles which were broken when they were being moved.

The winner of the Volkswagen beetle will be drawn at Sweepstakes headquarters next Tuesday, September 24th at 10:00 a.m.

On Wednesday, October 16th from 10:00 a.m. to 1:00 p.m. there will be a statewide managers' meeting at the Capitol Center for the Arts. Holiday merchandising will be a main topic.

Commissioner Maiola announced that Thursday, October 24th will be State Liquor Commission night at the Manchester Monarchs hockey game. To date, 87 out of 100 tickets have been sold at \$14.00 each.

A. Seasonal Sunday Store Closing Recommendation:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the closing of Store #21, Peterborough and

Store #39, Wolfeboro on Sundays for the end of the season at the close of business on Sunday, October 13, 2002, but leave Store #75 Belmont open on Sundays due to a 10% increase in Sunday business, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Warehouse Report

The current warehouse report shows no significant changes, with State stock still down significantly.

3. Purchasing Report

The out-of-stock report continues to show improvement as products begin to come in for the Christmas season.

4. Merchandising Report

A. SPIRITS:

1) Cruzan Rum 1.75L Test Request (tabled from 9/12/02, Item A-2):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission deny a request from Martignetti Companies of N.H./Todhunter Importers, Ltd., for a new test market listing for Cruzan Estate Dark Rum, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Request (E&J Brandy VSOP):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Pine State Trading Company for a line extension on E&J Brandy VSOP, 375ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) November Special Offers:

a. 3 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) spirit items, to be featured on sale during November 2002, as recommended by John

Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 7 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of seven (7) spirit items, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 57 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-seven (57) spirit items, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 89 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of eighty-nine (89) spirit items, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 1 item – Richard Colbath/Marque One:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Richard Colbath/ Spirit Marque One, based upon depletions of one (1) spirit item, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 1 item – Kenneth Wyatt:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Kenneth Wyatt, based upon depletions of one (1) spirit item, to be featured on sale during November and December 2002, as recommended by John

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Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 1 item – Phoenix Marketing:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Phoenix Marketing, based upon depletions of one (1) spirit item, to be featured on sale during November and December 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 44 items – Executive Wine & Spirits/Martignetti:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of forty-four (44) spirit items, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Revised Schedule Wine Tastings (One Added):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a revised schedule of wine tastings from September 21, 2002 through June 5, 2003 to include one additional event, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) New Wine Product Listings:

- a. General Distribution (Codes #26456 & #35670):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the general distribution of Code #26456, Ravenswood VB Chardonnay, 750ML size and Code #35670, Redwood Creek Sauvignon Blanc, 1.5L size, as each item has earned at least \$6,500 in gross profit, the majority of which has been in the retail and on-premise markets, to be initially distributed to Cluster 1 and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. General Distribution (6 codes):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the general distribution of the following 750ML size wine codes, each of which has earned at least \$6,500 in gross profit, the majority of which has been in the retail and on-premise markets, to be initially distributed to Cluster 1 and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #25808, Chardonnay Edna Valley; Code #29352, Pinot Gris Elk Cove Oregon; Code #35130, C. Back Goats do Roam Rge; Code #35801, Shiraz/Cabernet Penfolds Rawsons; Code #35949, Chardonnay Yangarra Park Australia; and Code #35951, Shiraz Yangarra Park Australia. The motion was unanimously adopted.

3) Special Offers for the Month of November 2002:

a. 1 item – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 7 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of seven (7) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 9 items – Pine State Trading/Gallo Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of nine (9) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) BV Coastal Consumer Sweepstakes & Purchase:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of a special purchase and sweepstakes program featuring four (4) Beaulieu BV Coastal 750ML size wines, to be featured on sale during November and December 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (18 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve eighteen (18) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Primary Source Submissions:

a. 15 items – exclusive agent; 3 items –imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of fifteen (15) wine codes which are not from primary source, but are offered by the exclusive marketing agent and three (3) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and acknowledged by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – primary source; 10 items – exclusive agent; 17 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are from primary source, ten (10) wine codes which are not from primary source, but are offered by the exclusive marketing agent and seventeen (17) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated September 13 through September 19, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford